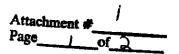


Lincoln Plaza Suite 1170 300 S. Orange Avenue Orlando, FL 32801-3470

407 648-2208 407-648-1323 fax www.pfm.com



February 14, 2005

Memorandum

PFM Advisors

To:

Alan Rosenzweig

The PFM Group

Public Financial Management, Inc PFM Asset Management, LLC

From:

David Moore

CC:

Bob Inzer

Re:

Capital Improvement Bonds - Refunding Opportunity

The County has \$88,965,000 in Capital Improvement Revenue Bonds outstanding that were issued in 1993, 1997, 1998, 1999 and 2003 to fund various capital projects and/or refund prior bonds. Over the course of time interest rates move up and down to the point where refinancing the existing bonds can generate savings, much like refinancing a home mortgage. In our role as financial advisor, Public Financial Management, Inc (PFM) has been monitoring market conditions and looking for opportunities to reduce the County's debt service obligation. The County's underwriters also monitor the County's debt looking for similar opportunities. Last week, A.G. Edward & Sons, Inc. submitted a refunding proposal to the County that is worth further consideration.

Summary of Refunding Opportunity

The County's 1997, 1998A and 1999 Bonds mature in 2017 and have interest rates ranging from 4.90% to 5.25%. In the current market, the bonds can be refunded reducing debt service by \$2.1 million or approximately \$160,000 per year. The present value of this reduction in debt service is approximately \$1.7 million.

	1997	1998A	1999	Combined
Par Refunded	4,360,000	9,710,000	23,760,000	37,830,000
Gross Savings	312,008	595,349	1,200,639	2,107,996
Present Value Savings	258,659	466,968	984,070	1,709,697
% savings	5.93%	4.81%	4.14%	4.52%
Average annual savings	24,001	45,796	92,357	162,154

It is worth noting that each of the existing bonds have different interest rates, call provisions and different par amounts outstanding so the savings varies from financing to financing. You will notice that the 1997 bonds have the highest "% savings" but the lowest "present value savings" because only \$4.3 million of the 1997 Bonds are still outstanding. Conversely, the 1999 Bonds have the lowest "% savings" but the highest dollar amount of "present value savings" because over \$23 million of the 1999 Bonds are still outstanding. While each piece of the potential refunding is unique, we believe that each piece of the refunding provides significant enough savings to move forward and prepare financing documents at this time.

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Attachment #

This refunding makes sense today because of unique market conditions that will probably not last very long. The unique market conditions are that (1) short term interest rates are increasing as a result of Federal Reserve rate increases and (2) long term interest rates have remained near historic lows (and actually decreased last week). This is advantageous in that when the County refunds Bonds the proceeds are placed in escrow and invested for a couple of years until the refunded bonds can be called (paid off). Since short term interest rates are rising, the escrow will earn more interest reducing the amount needed to be borrowed to refund the bonds. When this benefit is combined with decreasing long-term interest rates you have very favorable market conditions.

Process for Implementing the Refunding

We recommend that the County move forward with drafting the necessary financing documents expeditiously. In addition, we recommend that the County move forward with a negotiated sale of the refunding bonds using A.G. Edwards & Sons as the senior manager since they were the first underwriter to uncover the refunding opportunity. It is worth noting that the County could complete the financing using a competitive sale, but we believe that in this extremely unique market, a negotiated sale is a slightly better option. If the County does not want to use the existing team for a negotiated sale, we recommend moving forward with a competitive sale since a full underwriter RFP process would take at least 60 to 90 days.

Summary

Historically low interest rates offer the County a great opportunity to refund existing obligations. Given the volatility of the market as discussed above, we recommend that the County move forward as soon as possible to complete the refundings. In light of the favorable borrowing rates in the current market, the County should consider taking advantage of these rates to finance any new capital projects. We will forward under a separate memorandum an analysis of some scenarios for new money projects.